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MON VALLEY INITIATIVE

November 25, 1997

*Braddock
Brownsville Area
Greater Charleroi
Clairton
Duquesne
East Pittsburgh
Elizabeth Area
Glassport
Homestead Area
Monessen
Monongahela Area
North Braddock
Rankin
Swissvale
Turtle Creek
West Newton
Wilmerding*

Cynthia L. Johnson
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury, Room 420
401 14th Street, S. W.
Washington, D.C. 20277

Dear Ms. Johnson:

Recently I attended a Federal Reserve Bank sponsored session on Electronics Funds Transfer 99. The gentleman who provided the training was insightful as possible but unfortunately the answers he provided, to the community groups represented that day, were unsatisfactory.

In reading the fact sheet provided for 31 CFR part 208 provide how current and new recipients of federal payments will have their federal payments electronically transferred into deposits accounts with federally insured institutions. The goal being to save the U.S. Treasury Department \$28 million for every 100 million payments converted to EFT.

After extrapolating the numbers provided it appears that the first years savings could reach as high as \$306 million. While it is admirable for the government to take the initiative to save money, a concern arises over the fees that low and moderately low income people will be forced to pay to banks to meet the requirements set down to meet EFT guidelines.

The data provided indicated that 747,813,218 benefit, salary/allotment, and miscellaneous payments will be made in 1999. Additionally, it provided that if those payments are made by check, the cost will be \$321,559,683 (\$.43 per payment) and by EFT the cost will be \$14,956,264 (\$.02 per payment). The cost savings is \$306,603,419. Not bad for one year.

However, if you divide the 747,813,218 by 12 (to indicate the number of payments processed per month) and multiple that number (62,317,768) by a standard bank deposit relationship fee of \$8.00 you determine the total fees paid by consumers to banks to maintain a deposit relationship is \$498,542,145. This exceeds the yearly savings to the federal government by \$191,938,726. Seems a bit out of line, doesn't it?

EFT
#D68

It can be argued that not all of the payment recipients are required to pay a monthly deposit fee. Nevertheless, if only 10% of the recipients' pay the fee consumers will pay out \$49,854,214 per month. The yearly fees generated will be \$598,250,574, which exceeds the federal government's yearly expense by \$291,647,155. This does not bode well, for the elderly and low income families who cannot afford to pay those fees.

I suggest that someone --- **Do the math!**

There are other problems that need to be addressed:

Why is the federal government getting into the banking business? Who determines what individual will be assigned to what bank for an *Electronic Transfer Account*?

Will they be required to maintain a specific balance in that account to avoid bank fees? What fees can the recipients look forward to in the future? After all for many years banks did not originally charge for ATM activity and yet the fees assessed currently are getting out of hand.

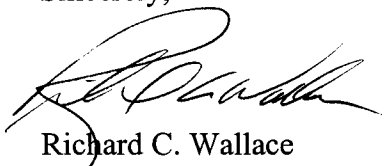
If a recipient is assigned to an "out of town" bank, they may be charged by that bank for withdrawal and also by the bank providing the ATM access. It would not be unusual for that individual to pay in excess of \$2.50 for each withdrawal. Low income and elderly people have a tendency not to want to carry large sums of money on their person for safety reasons. If they make two withdrawals per week the cost for them to maintain the account would exceed \$20.00 per month. That amount is outrageous for people on limited fixed incomes.

The list goes on and on. We ask that implementation of the system be reevaluated to eliminate the inconsistencies that will harm those who can afford it least. Perhaps it is time someone spoke to the elderly and low income population to ascertain their concerns. A novel idea.

We would be glad to participate in a discussion among grassroots organizations regarding EFT 99.

Thank you for providing a source for public comment. I hope that serious consideration will be provided to the concerns listed above.

Sincerely,



Richard C. Wallace
Executive Director